



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



FILE COPY

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Comptroller

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February 14, 2012

Rhonda Hamm-Niebruegge, Director of Airports
Lambert-St. Louis International Airport
P.O. Box 10212
St. Louis, MO 63145

RE: Review of Architectural Design Services at Lambert-St. Louis International Airport,
Contract PSA-1030 (Project #2011-49)

Dear Ms. Hamm-Niebruegge:

Enclosed is the Internal Audit Section's report on the review of architectural design services at Lambert-St. Louis International Airport for the period October 1, 2006 through April 30, 2011. A description of the scope of the work is included in the report.

Fieldwork was completed on January 12, 2011. Management's responses to the observations and recommendations noted in this report were received on January 12, 2011, and have been incorporated in the report.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Respectfully,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Gerald Slay, Senior Director Lambert-St. Louis International Airport
Cornell May, Deputy Director Planning and Development Lambert-St. Louis
International Airport



CITY OF ST. LOUIS

CITY OF ST. LOUIS

LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT

**REVIEW OF ARCHITECTURAL DESIGN SERVICES FOR
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
PSA-1030**

OCTOBER 1, 2006 THROUGH APRIL 30, 2011

PROJECT #2011-49

**DATE ISSUED:
February 14, 2012**

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
REVIEW OF ARCHITECTURAL DESIGN SERVICES FOR PSA-1030
OCTOBER 1, 2006 THROUGH APRIL 30, 2011**

EXECUTIVE SUMMARY

Purpose

The Internal Audit Section (IAS) has completed a review of architectural design services at Lambert-St. Louis International Airport between the City of St. Louis and Teng and Associates (consultant) and the following sub-consultants: AFRAM, Inc., Gray Design Group, Inc., and Woolpert, Inc. The purpose was to determine if consultant and sub-consultants effectively and efficiently manage risks in achieving goals and objectives relating to:

- Compliance with the terms of the contract to provide the City with design drawing, general details, phasing plans, sequencing of construction details, technical specifications, costs estimates, design reports, and more.
- Compliance with federal laws, and regulations applicable to the design service contract.
- Safeguarding of assets.
- Reliability and integrity of financial and informational reports.

Scope and Methodology

The review was limited to the review of the consultant and sub-consultants' compliance with the terms and conditions of the contract and federal regulations. The review procedures also included:

- Inquiries of management of the consultant and sub-consultants and the Airport Planning and Development department
- Evaluation of deliverable and compliance provisions.
- Other procedures considered necessary.

Background

The total contract cost for the architectural design service program is \$1,500,000. The billing reviewed for the consultants and sub-consultants for the period October 1, 2006 through April 30, 2011 was \$219,508.

Exit Conference


An exit conference was conducted on December 7, 2011. Teng and Associates was represented by the Project Manager, Gray Designs, Inc. was represented by the Chief Accountant, Woolpert, Inc. ,was represented by the Senior Associate, AFRAM Corporation was represented the President /CEO and Project Manager. The Airport Planning and Development Office was represented by the Assistant Airport Director Planning and Architectural Manager, Airport Finance and Accounting was represented by the Assistant Airport Director Finance and Accounting and the Airport Auditor Airport. The Comptroller's Office Internal Audit Section was represented by the Internal Audit Director, and Internal Auditor -In-Charge.

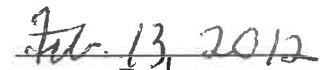
Conclusion

The opportunity exists to ensure compliance with the agreement. The following are observations resulting from the review:

1. Compliance with the insurance provisions.
2. Opportunity to improve project management methods.
3. Indirect Cost Overcharges By Sub-Consultants (\$ 2,161).

Each of these observations is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.


Dr. Kenneth M. Stone, CPA
Internal Audit Executive


Date

**CITY OF ST. LOUIS
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
REVIEW OF ARCHITECTURAL DESIGN SERVICES FOR PSA-1030
OCTOBER 1, 2006 THROUGH APRIL 30, 2011**

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OBSERVATIONS

Status of Prior Observations

This contract has not been previously reviewed by the Internal Audit Section; therefore, there were no prior observations.

Summary of Observations

The opportunity exists for the consultant to ensure compliance with the terms and conditions for the professional architectural design services a Lambert-St. Louis International Airport. The following observation resulted from the review:

1. Compliance with insurance provisions.
2. Opportunity to improve project management methods.

The opportunity exist for the sub-consultants to ensure compliance with the terms and conditions for the professional architectural design services for the Capital Improvement Program at Lambert-St. Louis International Airport. The following observation resulted from the review:

3. Indirect cost overcharged by sub-consultants (\$2,161).

This observation is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

Observations Relative to the Consultant

1. Compliance With Insurance Provisions

We could not verify the prime consultant Teng and Associates had met the requirement for professional liability insurance coverage for \$2,000,000.

Article XVI of the PSA-1030 requires the consultants to have the following auto liability, general liability and property damage and professional liability insurance in place with a minimum amount of coverage of \$2,000,000 for each category

There is no verification that the City is protected from any claims arising from negligent acts of or failure to act by the consultants.

Insurance certificates provided by the consultant did not list professional liability insurance as part of the coverage.

Recommendation: It is recommended the consultant obtain verification of current insurance coverage including the professional liability provision as required by the professional service Agreement

Management Response: The prime consultant agreed with the observation and has submitted a request for the correct certificate and will provide to Lambert-St. Louis International Airport.

2. Opportunity To Improve Project Management Methods

Deliverables (cost estimates, design submittals, etc) per the professional service agreement were not readily available for review and require additional follow-up with the consultant to obtain access.

Article II of the management contract requires the consultant to be responsible for the additional professional services hired outside his regularly employed staff. The consultant is also responsible for the professional quality, technical accuracy and the coordination of reports, drawings, specification, estimates, etc.

There was no construction schedule developed as stated in the Attachment A (Cost estimates, preparation of phasing plans, identification of Part 77 issues for planned construction activity, design reports, etc.) of the agreement.

Current project management methods in place by the consultant are not operating at an effective level to ensure work performed meets the desired results

2. Continued

Recommendation:

The consultant should improve project management methods to provide assurance that deliverables per the agreement are documented and accessible upon request.

Management Response: The prime consultant agreed with observation: "In the future, a more accurate deliverables matrix should be maintained and coordinated between the Prime Consultant and Airport Planning and Engineering to ensure that all required deliverables are received."

Observation Relative to the Sub-Consultants

3. Indirect Cost Overcharges By Sub-Consultants (\$ 2,161)

The City was overbilled for General and Administrative (G/A) expenditures. The sub-consultant's accounting systems is not adequately differentiating between costs of operating a home office or field office.

Sub-consultants billed at home office rates versus a field office rates for productive salary costs. One contractor who submitted provisional rates was not familiar with FAR method for preparing reimbursable rates. Also another contractor audited rates did not agree to the submitted rates. Therefore, the City was overbilled for G/A expenses.

FAR Part 31 defines "Home Office" as an office responsible for directing and managing two or more but not necessarily all, segments (field offices) of an organization. It is common for an organization to have both a field office and a home office.

It is standard practice to develop field reimbursable rates for G/A to ensure reimbursement is based upon actual costs incurred for the field office from which the primary place of services provided on a contract are originating from.

Article XI states the Consultant's actual costs shall include his payroll costs, salary related expenses and general and administrative overhead costs.

3. Continued

The indirect charges billed by the contractors were not verifiable, specifically:

Sub Consultant	Productive Cost Category	Amount Billed	Audited Amount	Unverified Billings
Gray Designs, Inc.	G/A	\$6,098	\$5,498	\$ 600
Woolpert, Inc	G/A	\$26,954	\$ 25,393	\$1,561

Documentation (general ledger accounts, accompanying rate schedules and audited financial statements) does not support the billing information provided in Attachment D and that payments made were for actual cost incurred by the contractors.

Recommendation:

It is recommended the City of St. Louis Board of Public Service pursues cost recovery of \$2,161 for indirect costs billed in excess of actual costs incurred.

Management Response: The sub-consultants agreed with observation and have made arrangements to refund the amounts to the City of St. Louis.